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SUBJECT: SCENESETTER FOR CODEL LEWIS'S NOVEMBER 13-15 MOROCCO VISIT

¶1. (SBU) Representative Lewis, we welcome you and your delegation to Morocco, our oldest and closest ally in the region. You will find a country that is "on the move," through a range of social, economic and political reforms aimed at making government more responsive to citizen concerns and enabling Moroccan citizens to benefit from the global economy. The United States is a comprehensive partner in these reform efforts, through consistent engagement and advocacy of reform and programs including USAID, the Millennium Challenge Account (MCA), and Middle East Partnership Initiative (MEPI) assistance, as well as the 2006 Free Trade Agreement, our first in Africa.

Government and Politics

¶2. (SBU) Governance: Morocco's political scene is stable but evolving. King Mohammed VI rules as well as reigns. The King has made significant political reforms, including relative freedom of expression, advances on human rights, and enhanced legal protections for women, particularly through bold revisions to the family law code in 2004, which are controversial with conservative Islamists. Partly as a result of this reform record, public support for the King and his reform agenda is generally solid.

¶3. (SBU) Parliament and Political Reform: The September 2007 legislative elections were certified as free and transparent by a team of international monitors (funded by the USG). In the elections, the Islamist-oriented Party of Justice and Development (PJD), socially conservative but loyal to the King, performed below expectations but obtained the largest number of votes and became the strongest element in the opposition as the second largest bloc in parliament. The elections were marred by a record low turnout, broadly seen as a reflection of very low public confidence in the Parliament and political parties. To address this, for the past few years, the USG has been funding capacity-building programs for the Parliament and political parties.

¶4. (SBU) Current Government: Prime Minister Abbas El Fassi's government, formed after the September 2007 legislative elections, is built on a minority coalition. There has been periodic speculation that

it might not last for the full five-year mandate of Parliament. The new political force is Fouad Ali El Himma, an intimate of the King, and catalyst behind a political bloc calling itself the Movement of All Democrats (MTD), which evolved into a new Party of Authenticity and Modernity (PAM) by grouping several smaller parties. In alliance with another pro-throne party it has now constituted the largest political bloc in Parliament. We currently see no prospect for a significant shift in Morocco's foreign and security policies. Neither Parliament nor the Prime Minister has much say in these issues, which are managed by the Throne directly with concerned ministries.

Economics, Trade and Assistance

15. (SBU) Economics and Trade: The economy is relatively healthy, marked by a recent trend of growing foreign investment and remittances, increasing tourism and accelerating growth (expected to be above 6 percent this year), but marred by increasing disparities in wealth. Since implementation of our Free Trade Agreement on January 1, 2006, bilateral commerce has more than doubled. Moroccan exports to the U.S. have increased 38 percent, and U.S. exports to Morocco have increased 155 percent. Partial year figures for 2008 indicate that both U.S. and Moroccan exports have registered 40 percent growth over the

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2007 results. U.S. firms are increasing their investment in Morocco, seeing new markets develop as a result of the Free Trade Agreement. The Commercial Service counted 48 export successes assisting U.S. companies conclude export deals to Morocco in Fiscal Year 2008.

16. (SBU) Moroccan government and private sector leaders have expressed some disappointment with the first few years of experience with the FTA, having expected higher export growth to the U.S. Europe, however, still accounts for the lion's share of Morocco's international trade. The Department of Commerce's Commercial Law Development Program and the U.S. Trade and Development Agency conduct capacity building and technical assistance projects to assist Morocco to create an open and transparent trading environment and fully develop its trading potential. However, significant export growth to U.S. and other markets will also depend on Morocco's ability to capture a larger share of value added in its export products. Targeted assistance programs from USAID and MEPI aim at improving Morocco's ability to produce and market its exports in key sectors.

17. (SBU) The Government of Morocco anticipates 6 percent GDP growth for 2008, but most analysts expect growth to slip in 2009 in response to global economic turmoil. Although Morocco's financial system has not suffered the losses incurred by financial institutions worldwide, economic slowdown in Europe will reduce Moroccan foreign earnings from exports, tourism, and remittances. Agriculture remains a critical sector for GDP growth. In 2007, drought and a small crop limited economic growth to only 2.3 percent, but better, if still below average rain and crops this year should allow higher growth. Rising food prices became a principal domestic issue for Morocco early in 2007, sparking sporadic protests. The Government has successfully managed this issue and will continue to do so by subsidizing

basic goods, including petroleum and food. Moroccans remember the food price riots of the 80's and 90's that threatened the stability of the nation.

¶8. (SBU) U.S. Assistance: We are focusing our assistance to Morocco on four priorities: counterterrorism, economic growth, democracy and governance, and supporting quality education. U.S. assistance includes projects under the Millennium Challenge Corporation, USAID, and the Middle East Partnership Initiative.

¶9. (U) The Millennium Challenge Corporation signed a five-year, USD 697.5 million Millennium Challenge Account Compact with Morocco in 2007 to reduce poverty and increase economic growth. The five-year clock started ticking on September 15, 2008 with the Entry into Force of the Compact. The MCA will support five major projects selected for their potential to increase productivity and improve employment in high potential sectors of Morocco's economy. The MCA projects include:

-- Fruit Tree Productivity Project, intended to shift small farmers away from high-water use, low-value cereal crops to low-water use, high-value and drought-resistant commercial tree crops.

-- Small Scale Fisheries Project, modernizing the means of catching, storing, and marketing fish to both local and export markets. This project will include establishing Marine Protected Areas and increased monitoring to ensure sustainable management of stocks.

-- Artisan and Fez Medina Project, an integrated project combining reconstruction of the historic Fez Medina and training for artisans in production techniques and business practices to respond to tourist and export demand.

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-- Financial Services Project, to increase the reach and availability of financial services for micro-enterprises in Morocco through investment in financial institutions and support to improve efficiency and transparency in the financial sector.

-- Enterprise Support Project, partnering with existing Moroccan Government initiatives to reduce unemployment among young graduates, and encourage a more entrepreneurial culture.

¶10. (U) USAID continues provide assistance to Government of Morocco agencies and the private sector to enable them to take full advantage and address the challenges of the U.S.-Morocco Free Trade Agreement. Examples of achievements in the past five years include:

-- USAID assistance has helped to reduce the number of days needed to register a business from 60 to 11.

-- USAID developed an electronic tool to facilitate administrative procedures for investment; several ministries expressed strong interest to adapt it to other sectors, such as land development.

-- USAID supported the certification of more than 20,000 hectares of rosemary according to international export standards, thereby doubling the value of the crop.

-- USAID supported the participation in an apparel

trade show by 10 Moroccan companies leading to orders totaling over USD 11 million.

-- Over USD 2 million in sales of agriculture products were generated by direct support to farmers, cooperatives and agribusinesses, which invested over USD 6 million in improved production capacity.

Over the next five years, USAID support to economic growth will focus on policy reforms to further improvement of the business environment in Morocco. USAID also expects to continue support to strengthen agricultural policy, to complement work funded by the Millennium Challenge Corporation, in addition to USAID reform assistance carried out under the Education and Democracy and Governance objectives.

¶11. (U) Morocco benefits from several initiatives carried out under the Middle East Partnership Initiative, including country-specific projects and inclusion in regional efforts. Some recent and ongoing programs include breast cancer awareness projects, support for civil society and youth organizations, developing freedom of expression via the Internet, supporting development of democratic leaders, technical assistance to meet environmental obligations under the FTA, political party training and capacity building, and the Financial Services Volunteer Corps. In 2007, MEPI funded the first-ever international observation of the Moroccan parliamentary elections. Other USG-funded projects support anti-corruption efforts (with the American Bar Association) and prison reform to undermine the foundations of extremism.

Security and Terrorism

¶12. (SBU) Morocco suffered spates of terrorist violence in 2003 and 2007, stemming from numerous small "grassroots" Salafi Jihadist groups. The attacks in 2007, which appear to have been, at best, poorly coordinated events, contrast sharply with more elaborate plots in 2006 that were thwarted by the vigilance of Moroccan authorities. Throughout 2007 and 2008, the Government of Morocco continued to dismantle terrorist cells within the Kingdom. Morocco faces external terrorist threats including Al Qaeda in the Lands of the Islamic Maghreb (AQIM), Pakistan-based Al Qaeda, and jihad veterans

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returning from Iraq and Afghanistan.

¶13. (SBU) A key to Morocco's counterterrorism (CT) strategy has been a comprehensive approach which not only emphasizes neutralizing existing terrorist threats through traditional law enforcement and security measures, but also engages in preventative measures to discourage terrorist recruitment through political reform and policy measures and by taking advantage of the Islamic "high ground" through the King, as religious leader, and the religious establishment. As a religious and political leader for all Moroccans, King Mohammed VI has led this effort by unambiguously condemning terrorism and those who espouse or conduct terrorism.

¶14. (SBU) Morocco continues to implement internal reforms aimed at addressing the socio-economic factors that contribute to the emergence of extremism. The National Initiative for Human Development, launched by King Mohammed VI in 2005, is a USD 1.2 billion program designed to generate

employment, combat poverty, and improve infrastructure, with a special focus on rural areas. The Embassy is chipping in with programs targeted at vulnerable youth and we have a proposal for FY 09 funding to sponsor prison reform and deradicalization. The Government of Morocco also emphasized adherence to human rights standards in the pursuit of terrorist suspects and increased law enforcement and justice transparency as part of its counterterrorism program. Its actions have increasingly reflected this rhetoric and demonstrated unprecedented frankness in presenting to the public candid assessments of the terrorism threat. The USG supports a wide range of counterterrorism and counterextremism programs involving almost every mission element.

Regional and International Issues

¶15. (SBU) Border Troubles with Algeria: The Moroccan relationship with Algeria remains tense, and the border between the two countries remains closed. Although possessing common languages and some ethno-cultural roots, the two countries have had sharply divergent historical experiences. Territorial tensions began shortly after Algerian independence, when a dispute over the demarcation of the border between the two countries in 1963 led to a brief period of hostilities known as the Desert (or Sand) War. For the last 30 years, a major bone of contention has been the Western Sahara issue and Algerian support for the POLISARIO Front and its self-proclaimed Sahrawi Arab Democratic Republic. The recent Moroccan purchase of F-16s was partially motivated by the sense of threat from a previous Algerian purchase of advanced aircraft from Russia. In March, Morocco publicly proposed opening the border between the two countries, which was quickly rebuffed by the Government of Algeria. Morocco has made several proposals to upgrade bilateral dialogue, to which there has not yet been a public response from Algeria.

¶16. (SBU) Western Sahara: Moroccan foreign policy is dominated by defending and seeking political recognition of its sovereignty claims over Western Sahara. The issue remains the most visible source of tension with Algeria, which has historically supported the POLISARIO's quest for independence by way of a UN-sponsored referendum. The issue provoked Morocco to leave the African Union and helped block regional integration through the Arab Maghreb Union. In 2007, Morocco proposed a new autonomy plan for Western Sahara, and a series of UN-sponsored negotiations with the POLISARIO began in Manhasset, New York. This proposal, deemed "serious and credible" by the USG, would provide Sahrawis -- a distinct tribal and linguistic population whose traditional area of habitation includes Western Sahara -- autonomy in administering

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local affairs while respecting Moroccan sovereignty over the territory. Morocco greatly appreciated the U.S. announcement in early 2008 that we considered the independence option for the territory, "not realistic." The USG favors instead an agreed negotiated political settlement between Morocco and the POLISARIO. The UN Secretary General will shortly appoint a new representative to continue the Manhasset process, and we strongly urge a fifth round of negotiations to be held soon to maintain the momentum of this process.

